

'14

GINNIE MAE SUMMIT

THE POWER OF PARTNERSHIPS
SEPTEMBER 22-23, 2014 | CRYSTAL CITY, VIRGINIA



GinnieMae

Our Guaranty Matters

VA Presentation

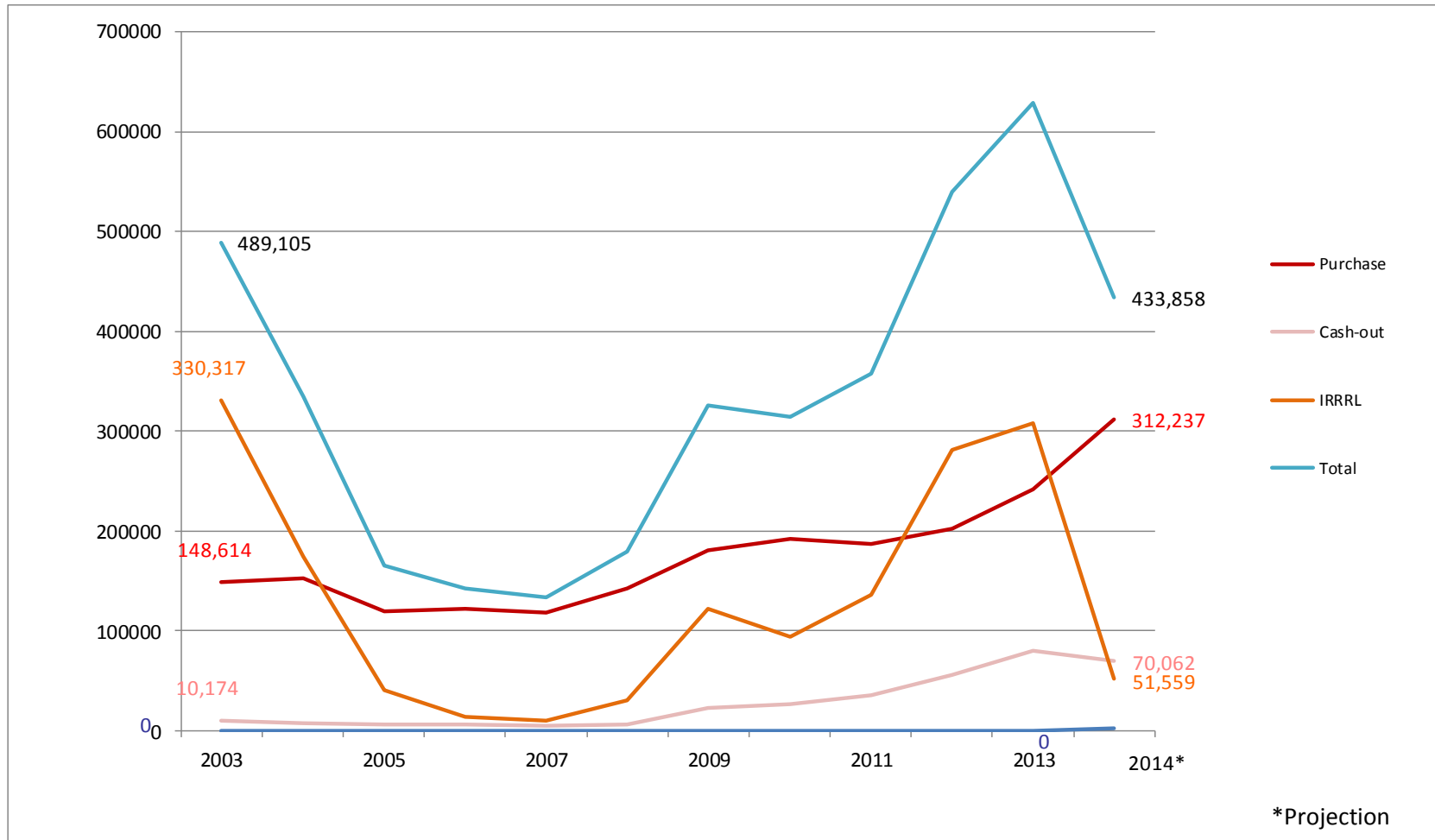
Presenter:

Mike Frueh

Agenda

- Results
- What's Coming?

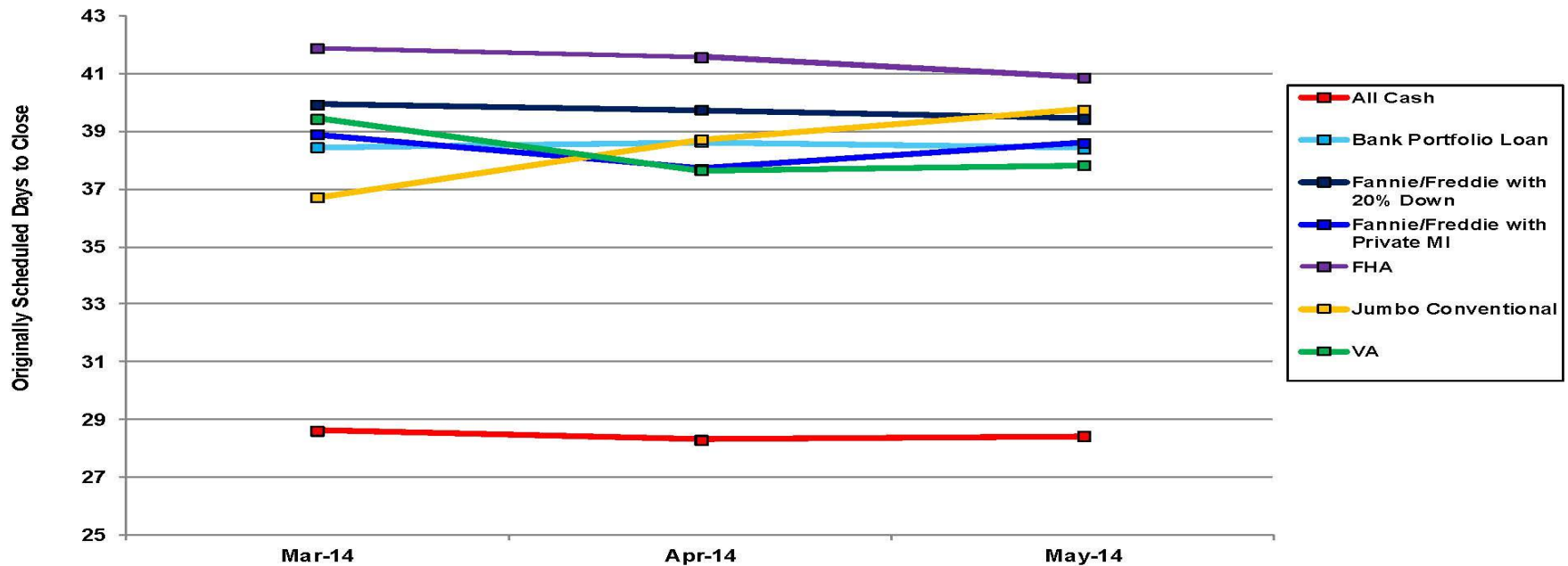
Nationwide Origination Volume



Loan Closing Times

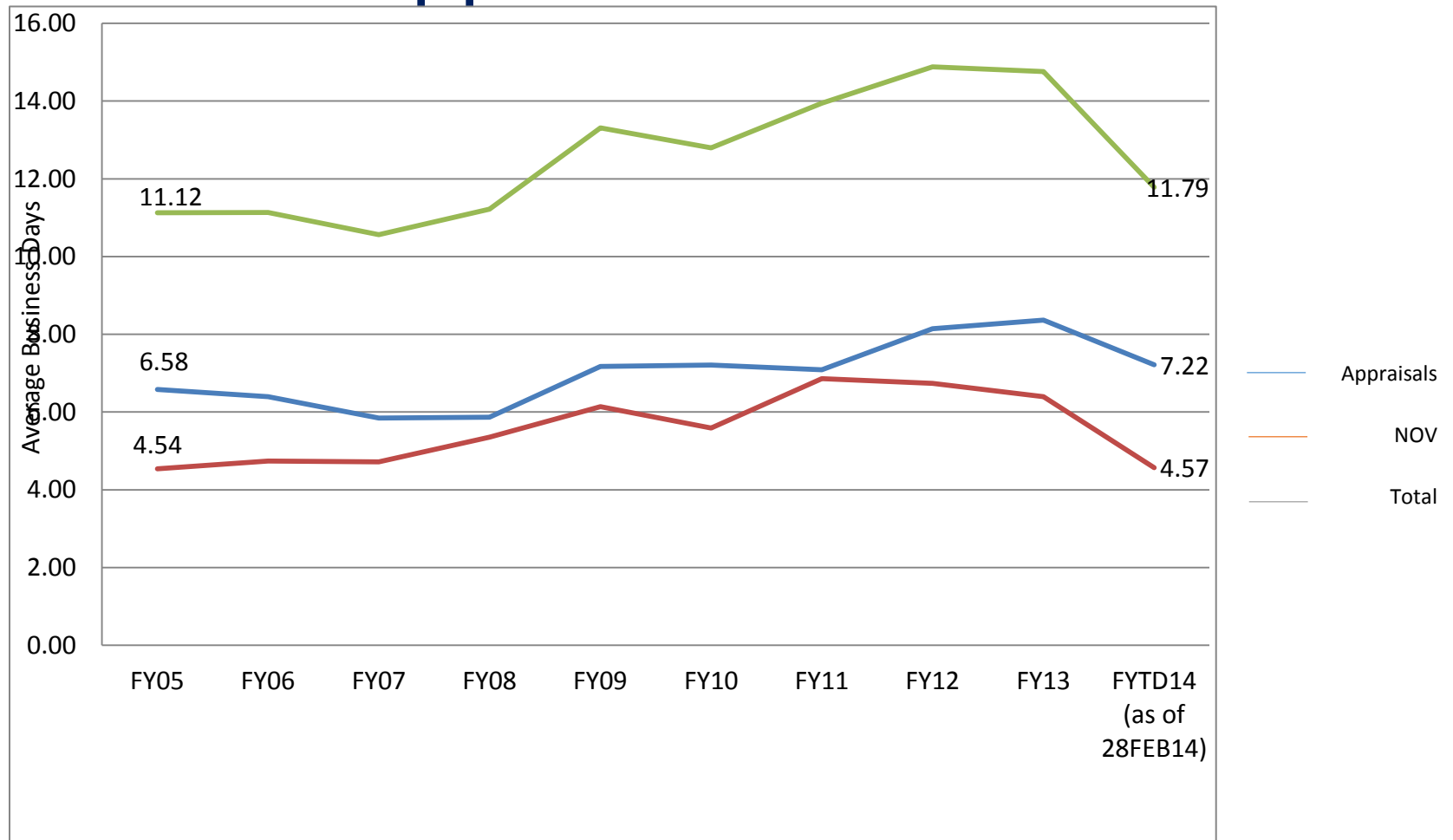


Average Original Closing Times in Days
3 Month Moving Average



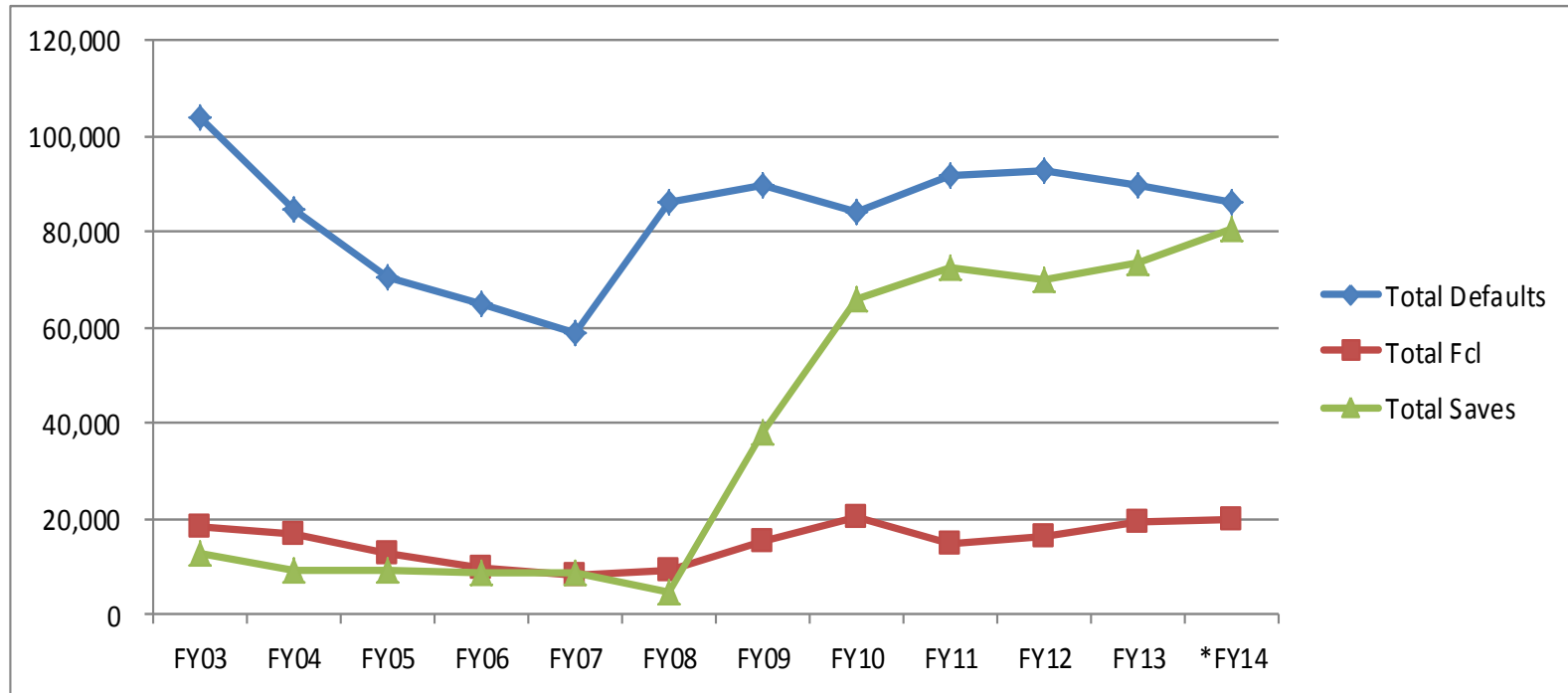
35

Nationwide Appraiser Timeliness



Source: TAS and VALERI

Helping Veterans Avoid Foreclosure



	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	*FY14
Total Defaults	104,086	84,456	70,398	65,151	58,836	86,413	89,611	84,176	91,810	92,878	89,552	86,034
Total Fcl	18,256	16,571	12,586	9,528	8,113	9,324	15,145	20,506	14,825	16,466	19,065	19,664
Total Saves	12,496	9,412	8,963	8,728	8,453	4,808	38,056	66,030	72,391	69,920	73,560	80,736

Source: LGY Data
FY14 data through July

What's Next?

- VA's Qualified Mortgage Rule – ARM Lookback
- Funding Fee Payment System
- Revised Allowable Attorney Fees
- AMS/AVM Scorecard
- Full File Loan Review – electronic submission and then some
- Condo Approval process
- National Lender Scorecard
- National Servicer Scorecard
- Nationalized Workload
- Appraiser Recruitment Drive
- Better Oversight



United States Department of Agriculture

Rural Development

Single Family Housing Guaranteed Loan Program
September 23, 2014

Joaquín Tremols
Director





Presentation Agenda

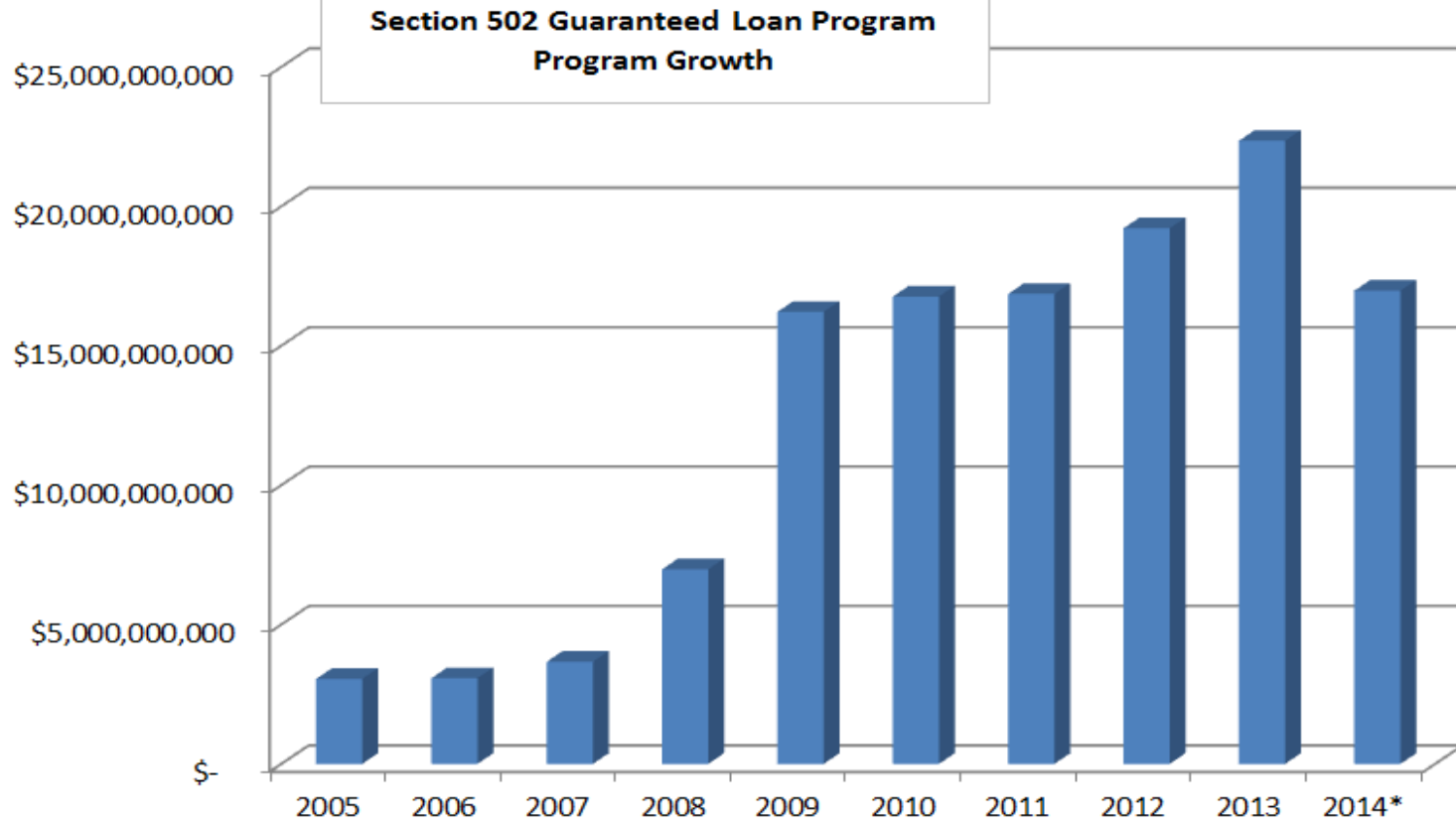
- Program Overview
- Program Growth
- Rural Development Portfolio
- Program Performance
- Automation Initiatives
- Lender Monitoring
- New Regulation
- Training Opportunities

Guaranteed Loan Program Overview

- No down-payment required
- 30 year fixed interest rates
- Guaranteed Underwriting System
- Automated Loan Closing System
- Mostly purchase transactions, 3-8% refinance
- 85% first time homebuyers
- 10% new construction
- Low and moderate income households
- Rural areas = up to 90% of the USA



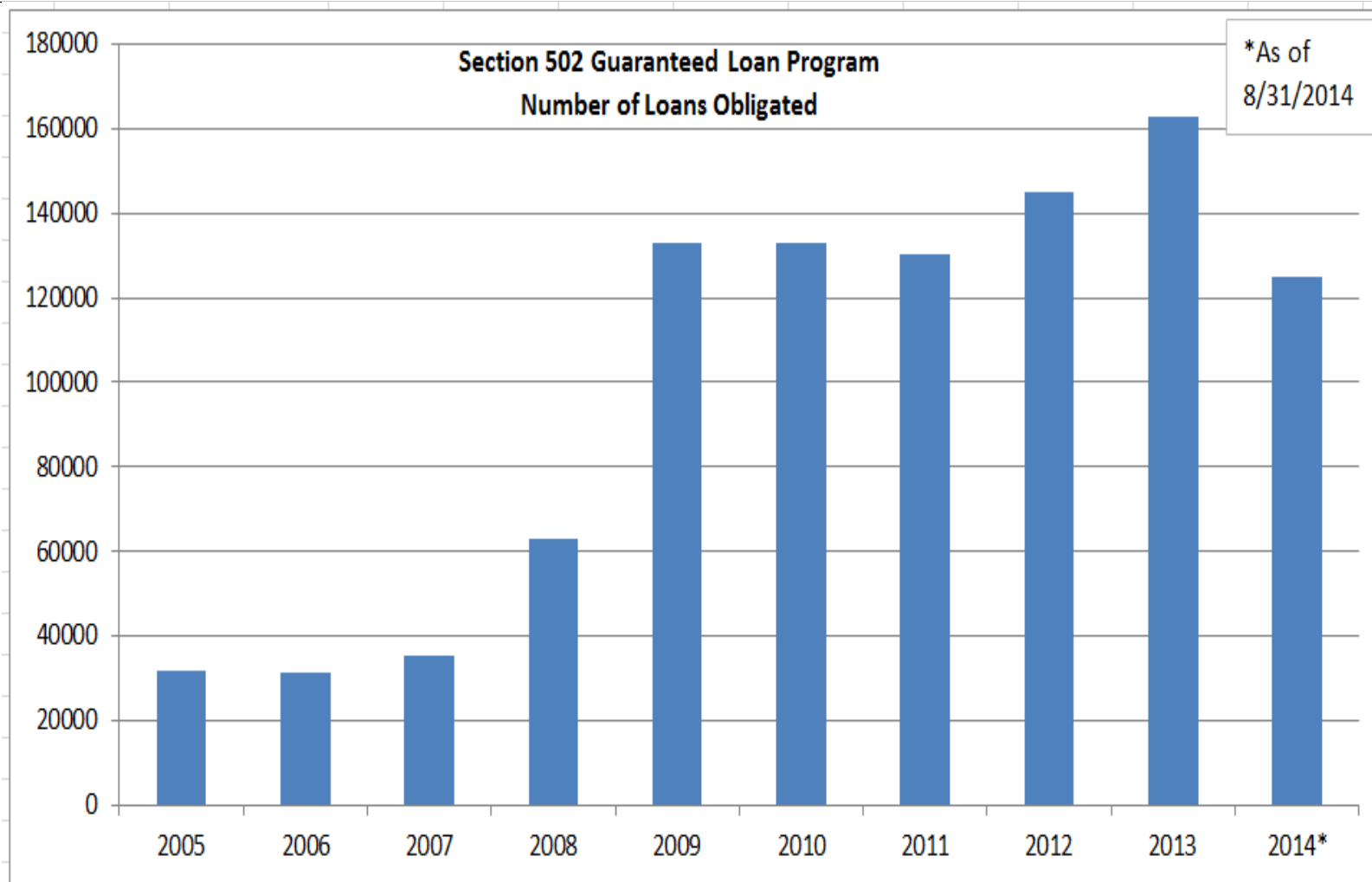
United States Department of Agriculture



*As of
8/31/2014

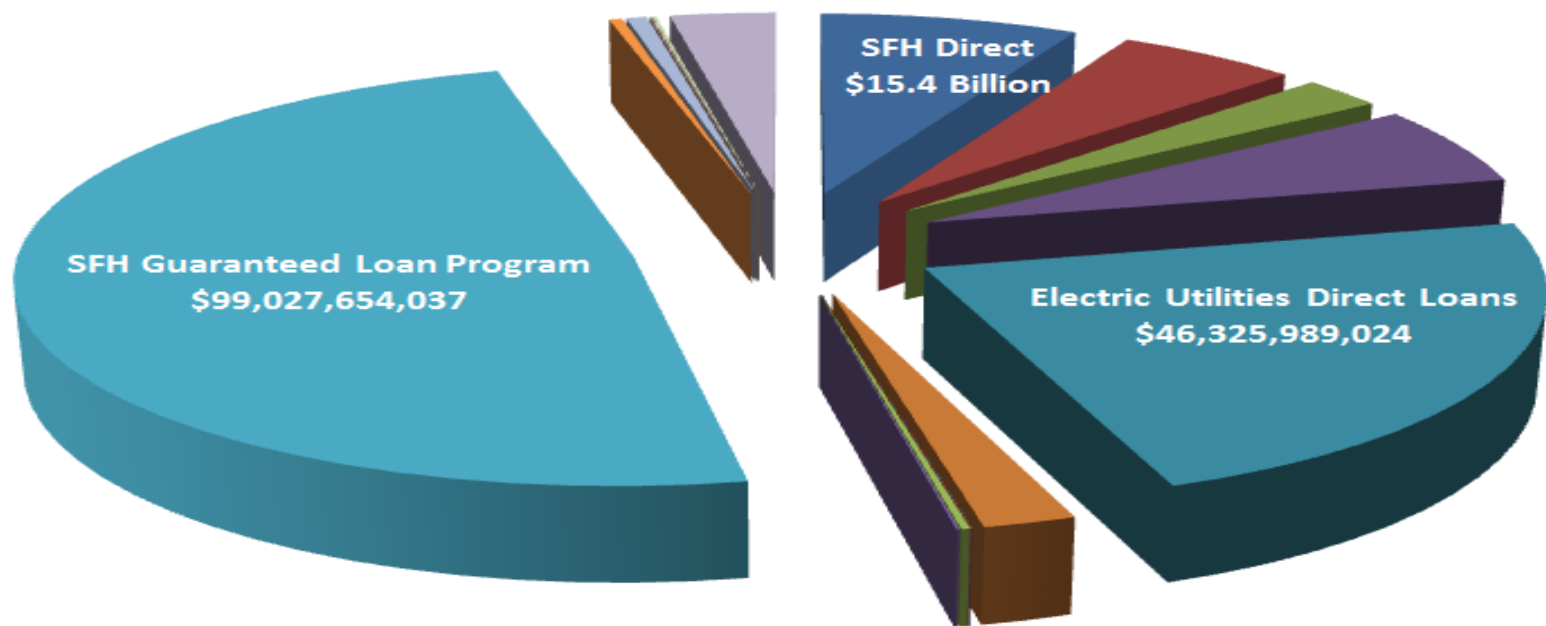


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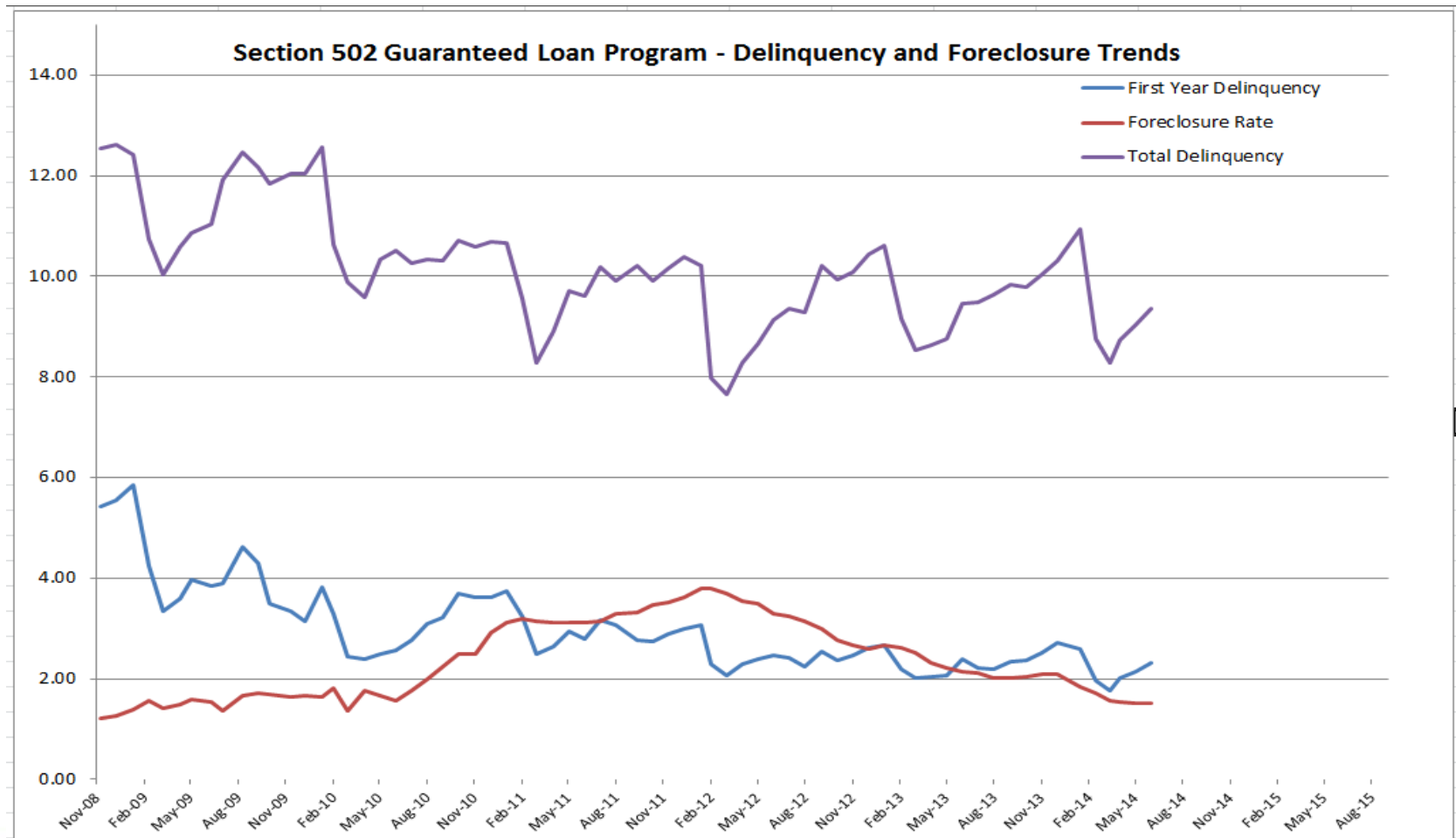
Rural Development Direct and Guaranteed Loan Portfolio Totalling \$202,753,857,228 as of July 31, 2014





United States Department of Agriculture

Loan Portfolio Performance



Automated Loan Closing

- Paperless processing
- Electronic submission of documents
- Electronic submission of guarantee fees
- Electronic delivery of agency forms
- Lenders save time and money by:
 - No longer cutting paper checks
 - No more overnight delivery fees
 - Receiving approval to close loans much faster
 - Receiving the Loan Note Guarantees much faster
- \$14.9 million savings per year

Guaranteed Underwriting System: GUS



GUS Abuse

- Originator omitting debts which should not have been omitted
 - Car loan payments improperly omitted
 - Debts omitted without including rational basis for doing so
 - Lower debt ratio results in an “accept” which otherwise would have been a “refer”
- Short term employment
 - Regulation requires a 24 month work history
 - Regulation requires “adequate and dependable” income
 - Feedback/warning messages being ignored
- Repayment income greater than Household income
 - Extremely rare and unusual
 - Typically the other way around
 - Could result in an illegal guarantee if the income limits are actually exceeded

Lender and Servicer Monitoring

- Risk Management
 - GUS abuse
 - First year delinquency rate
 - Total delinquency rate
 - Foreclosure rates
 - Foreclosure time frames
 - Volume, including servicing transfers
- Contractor – Currently Deloitte & Touche LLP
 - Scheduled site visits
 - Desk reviews
 - Unscheduled site visits

New Regulation

- 7 CFR 3555 replaces old regulation
- Effective December 1, 2014
- Handbook
- Expanded lender eligibility
- Construction to permanent financing
 - promotes new construction in rural areas
 - Replace aging housing stock
- Delegated servicing decisions
 - Approval of loss mitigation actions
 - Approval of property disposition plans to lender

Expanded Lender and Servicer Eligibility

- Existing:
 - FHA
 - VA
 - Fannie Mae
 - Freddie Mac

- New as of December 1:
 - National Credit Union Administration
 - Federal Home Loan Banks
 - FDIC
 - OCC
 - FRB

Construction to Permanent Loans

- Promotes new construction to replace aging rural housing infrastructure
- Also known as “Single Close” loans
- Lender gets guarantee before construction begins
- Interest payments during the construction period can come from an interest reserve account or from the borrower
- Reduces credit risk because newly built homes require less maintenance
 - Won't need new roof for 20 years
 - Won't need new furnace for up to 7 years
 - New appliances in kitchen and laundry
 - Everything is brand new
 - Less maintenance means better cash flow for borrowers



United States Department of Agriculture

Rural Areas

<http://rdeligibility.usda.gov/eligibility/welcomeAction.do>



United States Department of Agriculture
Rural Development



Committed to the Future
of Rural Communities



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You are here: [Eligibility](#) / [Home](#)

Eligibility

You must use [Internet Explorer 7.0](#) or higher, [Mozilla Firefox 3.6](#) or higher, and [Google Chrome 8.0](#) or higher to view this site. Best viewed using screen resolution of 1024 X 768.

Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA home loan programs and the USDA Satellite Grant Program. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased or served must be located in an eligible rural area as defined by USDA.

To learn more about a USDA home loan program, click on the **Loan Program Basics** link on the left side of this screen and select one of USDA's home loan programs.

To determine if a property is located in an eligible rural area, click on the **Property Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate property eligibility screen for the Rural Development loan program you selected.



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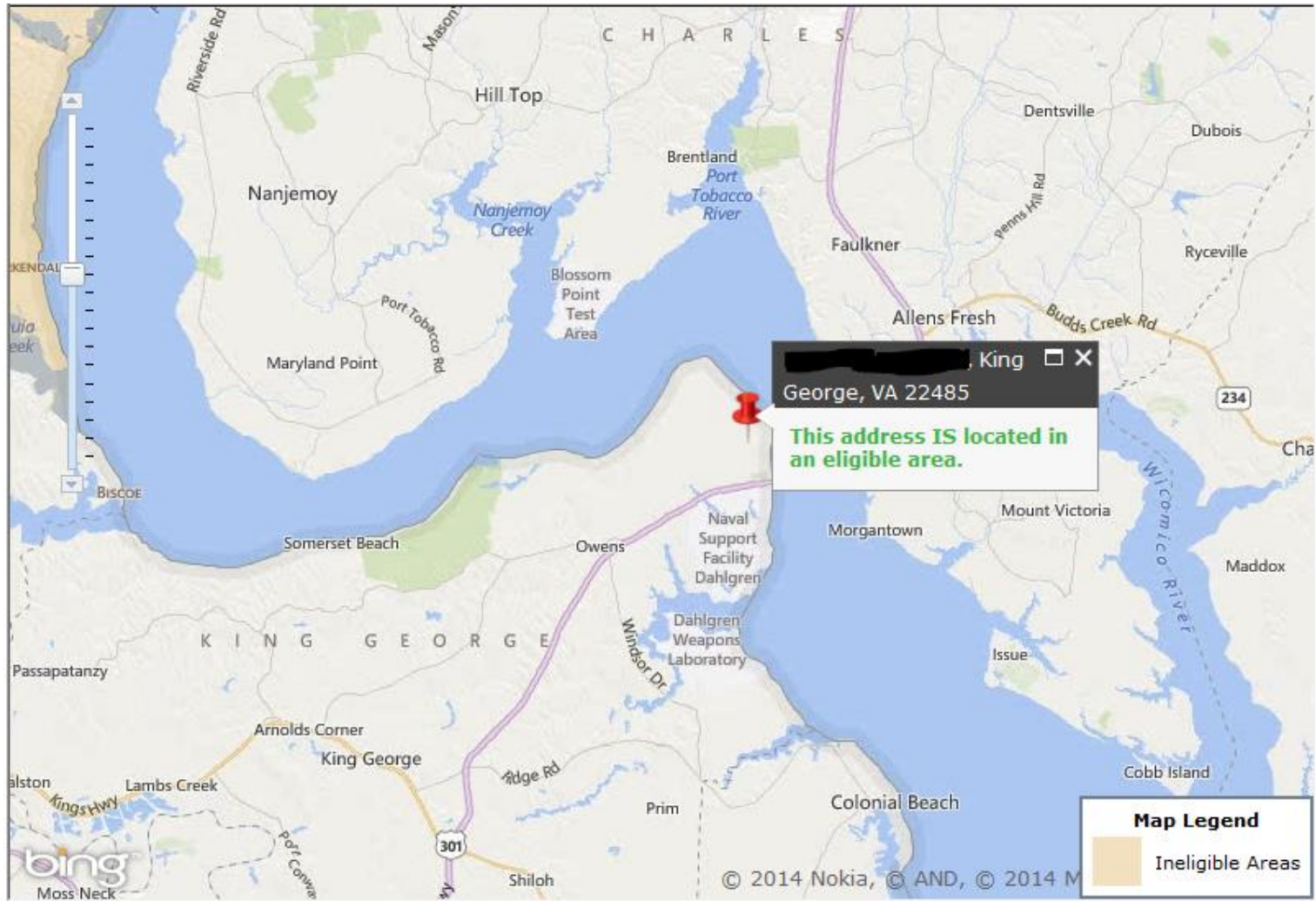


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Training Opportunities

Live webinars for new 3555 regulation which becomes effective Dec. 1

<https://rurdev.webex.com>

Today		Upcoming	Daily	Weekly	Monthly	English	
From: 2:05 p.m., Monday, June 23, 2014							
<input type="checkbox"/> Show only sessions that require registration						Total number	
Date & Time~		Topic	Presenter	Duration			
Jul 1, 2014	1:00 pm	3555 Subpart D USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 8, 2014	10:00 am	Subpart F USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 9, 2014	1:00 pm	Subpart E USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 10, 2014	3:00 pm	Subpart F USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 15, 2014	10:00 am	Subpart G USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 16, 2014	1:00 pm	Subpart F USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 17, 2014	3:00 pm	Subpart G USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 22, 2014	10:00 am	Subpart H USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 23, 2014	1:00 pm	Subpart G USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 24, 2014	3:00 pm	Subpart H USDA ONLY	Kristina Zehr	2 hours		Register	
Jul 30, 2014	3:00 pm	Subpart H USDA ONLY	Kristina Zehr	2 hours		Register	



United States Department of Agriculture

Training Opportunities

USDA LINC

<https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do>



USDA LINC Training and Resource Library

The documents and material contained in the USDA LINC Training and Resource Library use Adobe PDF and Adobe Flash formats. To view PDF files you must have [Adobe Acrobat Reader](#) installed on your computer. To view Flash files you must have [Adobe Flash Player](#) installed on your computer.

NEW!!! - 7 CFR 3555 and Draft Handbook – Implementation 9/1/2014

Training

[7 CFR 3555 Rule: Regulation Overview](#)(Flash)
[Draft 7 CFR 3555: Lender Eligibility/Responsibilities](#)
(Flash)
[Draft 7 CFR 3555: Applicant Eligibility](#)(Flash)
[Draft 7 CFR 3555: Income Eligibility](#)(Flash)
[Draft 7 CFR 3555: Property Eligibility](#)(Flash)
[Draft 7 CFR 3555: Credit and Underwriting](#)(Flash)
[Draft 7 CFR 3555: File Assembly and Submission](#)
(Flash)
[Draft 7 CFR 3555: Lender Loan Closing](#)(Flash)
[Draft 7 CFR 3555: Servicing/Loss Mitigation](#)(Flash)
[Draft 7 CFR 3555: Servicing/Foreclosure](#)(Flash)

Documentation and Resources

[7 CFR 3555 Interim Final Rule](#)(PDF)
[Highlights of Changes](#)(PDF)
[Frequently Asked Questions](#)(PDF)
[Draft Handbook – All Chapters](#)(PDF)

By Individual Chapter:

[Table of Contents](#)(PDF)
[Chapter 1: Overview](#)(PDF)
[Chapter 2: Record Retention](#)(PDF)
[Chapter 3: Lender Approval](#)(PDF)
[Chapter 4: Lender Responsibilities](#)(PDF)
[Chapter 5: Origination and Underwriting Responsibilities](#)(PDF)



United States Department of Agriculture

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United States Department of Agriculture

Sales of farm products, both crops and livestock, this year are expected to top a record \$215 billion.



Enter your e-mail address below and choose the list(s) you would like to subscribe to or un-subscribe from. Press the appropriate button below to submit your request.

Email Address

SFH Guaranteed Loan Program

☐ **Single Family Housing Guaranteed Underwriting System (GUS) List**

By subscribing to this e-mail list, you will receive information concerning the USDA Guaranteed Underwriting System (GUS). This list is intended for those lenders that are currently utilizing GUS or are in the process of becoming approved to utilize GUS for Rural Development Single Family Housing guaranteed loans. As a member of this list, you will receive updates that are specific to GUS and GUS users. To subscribe, please enter your e-mail address above, click the box at left to select the list, and then click the 'Subscribe' button at the bottom of this page.

SFH Guaranteed Loan Program

☐ **SFH Servicing News**

By subscribing to this e-mail list, you will receive information concerning servicing of Rural Development Single Family Housing Loan Program loans, including information on monthly default and quarterly status reporting (EDI and Web based reporting), loss mitigation, loss claim and future recovery administration, REO property disposition, and other servicing policy issues. To subscribe, please enter your e-mail address above, click the box at left to select the list, and then click the "Subscribe" button at the bottom of this page.

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FHA Presentation

Presenter:

Kevin L. Stevens

Director, Home Mortgage Insurance Division - Office of
Single Family Housing

U.S. Department of Housing and Urban Development

FHA Single Family Priorities: Our Sound Bites

Expanding Access to Credit

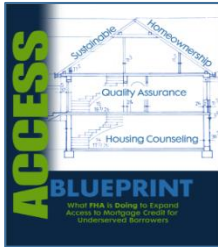
Offering programs that target first-time homebuyers and underserved borrowers, factoring in credit and market risk to ensure long-term homeownership success.

Ensure Long-term Viability of MMI

Using all of our tools to serve the market and strengthen the MMI Fund – using a balanced approach to expanding homeownership with necessary risk management.

Making it Easier to Do Business

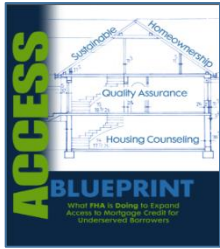
Working with the industry to evolve how we do business - making it easier to do business with us while protecting the borrower, the homeowner and FHA.



Blueprint for Access

Takes a targeted approach to expanding access and affordability, with two central components:

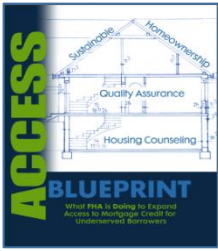
Homeowners Armed with Knowledge (HAWK)	Quality Assurance Framework
<ul style="list-style-type: none">• Pilot program• Mortgage Insurance Premium (MIP) reductions for first-time homebuyers, with housing counseling• Additional MIP reductions with post-closing counseling and no serious delinquencies	<ul style="list-style-type: none">• Provide clarity and transparency• Four components:<ol style="list-style-type: none">1. FHA Single Family Handbook2. Lender Performance Management3. Loan Quality Assessment4. Loan Sampling



Blueprint: Homeowners Armed with Knowledge (HAWK)

Proposed Pilot to increase first-time homebuyer origination quality and ongoing success by embedding pre-purchase counseling into the process, with MIP reduction.

- *Federal Register* Notice issued on May 13, 2014 solicited public comment
- Four-year, multi-phase pilot
- Offering:
 - 50 bps reduction in upfront MIP and 10 bps reduction in annual MIP for first-time homebuyers who complete robust pre-purchase counseling (pre-contract and pre-closing.)
 - Additional post-closing counseling and no serious delinquencies will receive an additional 15 bps reduction in the 25th month of loan



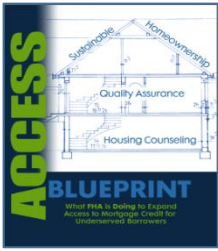
Blueprint: Quality Assurance Framework

FHA wants to:

- Provide clear rules of the road.
- Encourage responsible behavior.

So lenders can:

- Originate loans with confidence.
- Focus on the quality of their processes and lend to all qualified borrowers.



Blueprint: Interaction Between QA Framework and Single Family Priorities

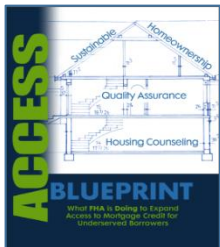
- Aligning programs and policies with risk tolerance and mission.
- Ensuring clear policy and refine policy and a more efficient development process.
- Improving lender understanding of loan quality.



Blueprint: QA – Single Family Housing Policy Handbook Framework

Doing Business with FHA	MORTGAGEES		OTHER PARTICIPANTS	
	Title I Lenders Title II Supervised Lenders Title II Non-Supervised Lenders	Title II Investor Lenders Title II Governmental Lenders Third-Party Originators	Home Inspectors Nonprofit Organizations Direct Endorsement Underwriters	Real Estate Brokers Appraisers 203(k) Consultants
Origination through Post-Closing / Endorsement	TITLE II FORWARD MORTGAGES Origination / Processing Appraisal Underwriting Closing Post-Closing & Endorsement	PRODUCT SHEETS 203(k) 203(k) Consultants Condominium 203 (h) Back to Work Build your Own Land Construction to Permanent Energy Efficient	TITLE II REVERSE MORTGAGE (Home Equity Conversion Mortgage) Origination / Processing Underwriting Closing Post-Closing & Endorsement	TITLE I Origination / Processing Underwriting Closing Post-Closing & Endorsement Chattel Appraisal Land Appraisal Product Sheets Performing Loan Servicing Loss Mitigation
	Appraiser and Property Requirements for Title II Forward and Reverse Mortgages			
	TITLE II FORWARD MORTGAGE Performing Loan Servicing Loss Mitigation Forbearance / Partial Claims / Special Forbearance / Loan Modifications / Unemployment / FHA HAMP			
Servicing & Loss Mitigation			Performing Loan Servicing Loss Mitigation	
Claims & Disposition	Claims Policy Disposition	CLAIMS Preservation & Protection Requirements	Real Estate Owned Alternate Disposition Strategies	
Quality Control, Oversight & Compliance	MORTGAGEES		OTHER PARTICIPANTS	
	Quality Control Mortgagee Monitoring Enforcement		Home Inspectors Nonprofit Organizations Direct Endorsement Underwriters	Real Estate Brokers Appraisers 203(k) Consultants

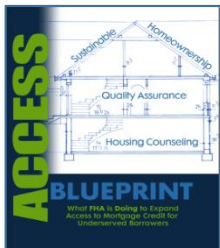
Last Updated: September 19, 2014



Blueprint: QA Framework – Lender Performance Management

Lender Supplemental Performance Metric will compare lender performance to an FHA risk mix and default rate.

Distribution and SDQ Rates					Scores	
	<640	640-680	>680	Weighted SDQ	Compare Ratio	Supplemental Metric Ratio
Target						
	25%	50%	25%	1.60%		
	3.0%	1.5%	0.4%			
FHA Portfolio						
	9%	38%	53%	1.01%		
	2.6%	1.5%	0.4%			
Lender 1						
	30%	60%	10%	1.89%	187%	118%
	2.9%	1.6%	0.6%			



Blueprint: QA Framework – Loan Quality Assessment Methodology

Proposed Defect/Severity Taxonomy

I Identifying a defect

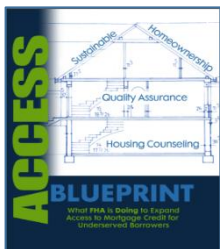
- Fundamental characteristics that impact a loan's insurability, credit quality, and compliance.
- Each of these fundamental characteristics would have one defect associated with it.

II Capturing the sources and causes of the defect

- "Defect" composed of one or many sources and causes in loan or loan file or loan file data in TOTAL.
- Potential sources and causes of a defect vary by defect type.

III Assessing the severity of a defect

- Severity is assigned to the individual instance of the defect, not to each individual source and cause.
- Severity is driven by FHA's ability to use the information as intended, NOT by the number of defect issues found.



Blueprint: QA Framework – Loan Sampling

Today	Future Vision
<ul style="list-style-type: none">• 57% of loans selected for review are selected at endorsement• Remaining loans selected are largely Early Payment Defaults• Risk-based sampling methodology	<ul style="list-style-type: none">• Complete larger percentage of sampling closer to endorsement• Implement real time “eFindings” notifications• Lender access to web-based case status for “unacceptable” ratings• Risk-based sampling augmented with random sampling

Ensure Long-term Viability of MMI

- MMI Fund has improved but still there is more to be done.
- MIP aligned to price for risk.
- Level of new seriously delinquent mortgages has begun to decrease.

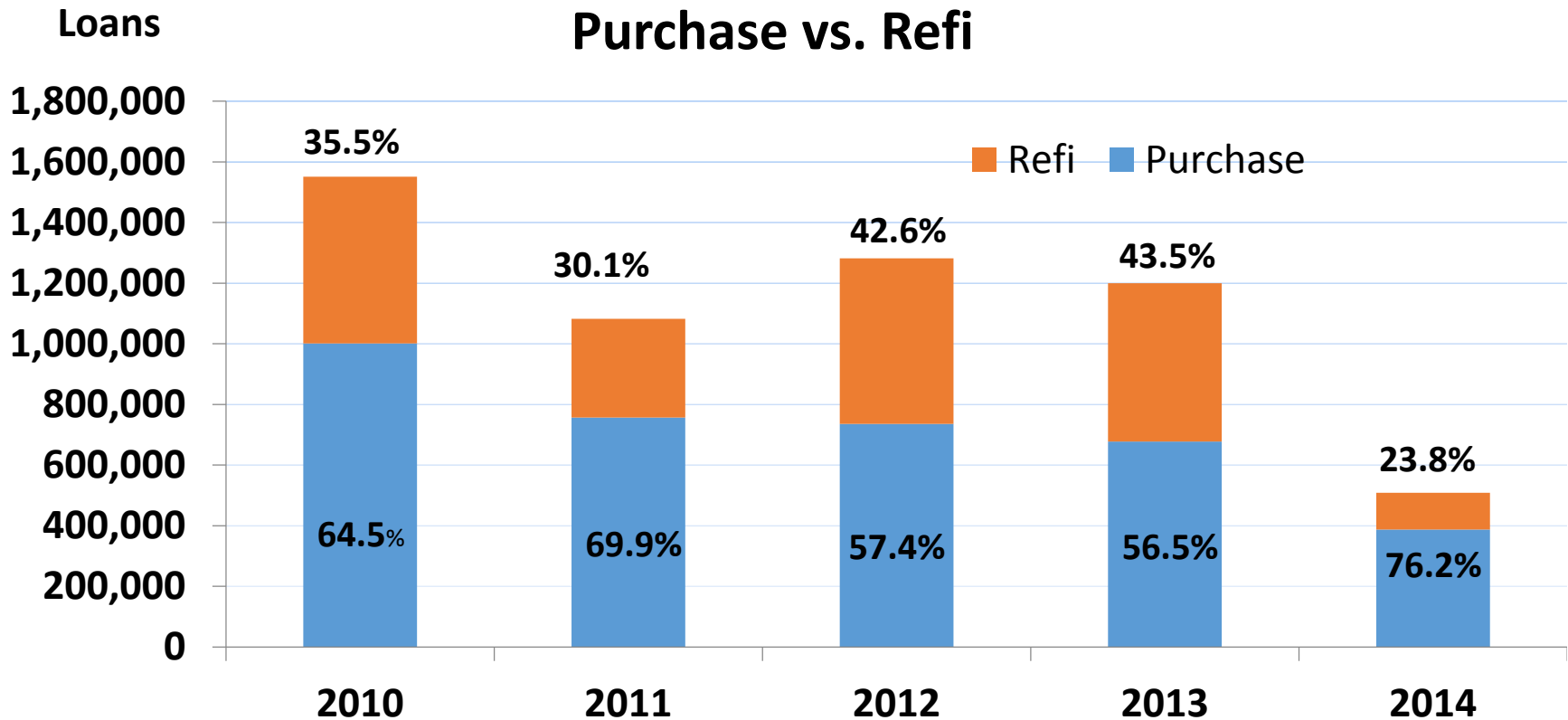
Top Servicing Items

- 1 New Loan Servicing Contractor
- 2 HAWK Post-Modification Program
- 3 Trial Payment Plans
- 4 Force-Placed Insurance
- 5 ARM Lookback and Post Settlement interest

This is What We're Seeing ...

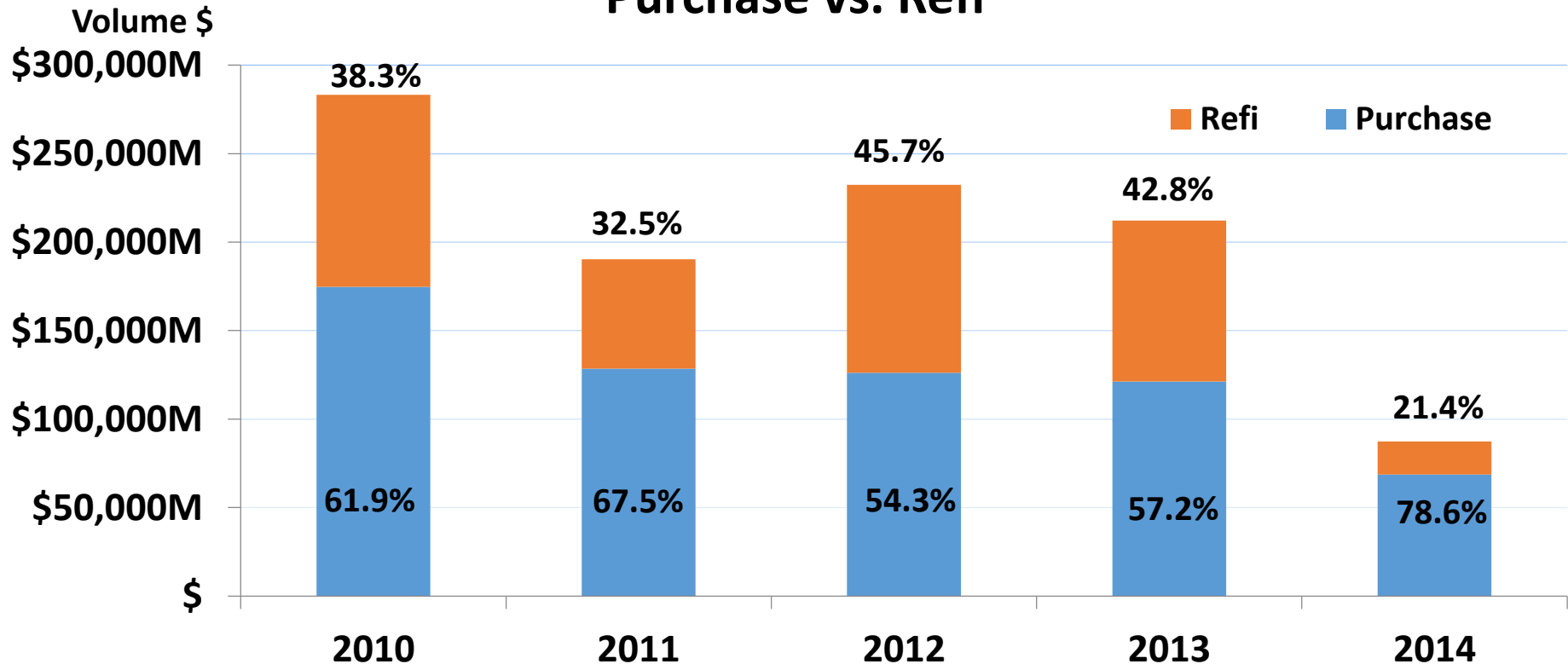
FHA Rising Purchase Share

FHA Forward Loans Purchase vs. Refi



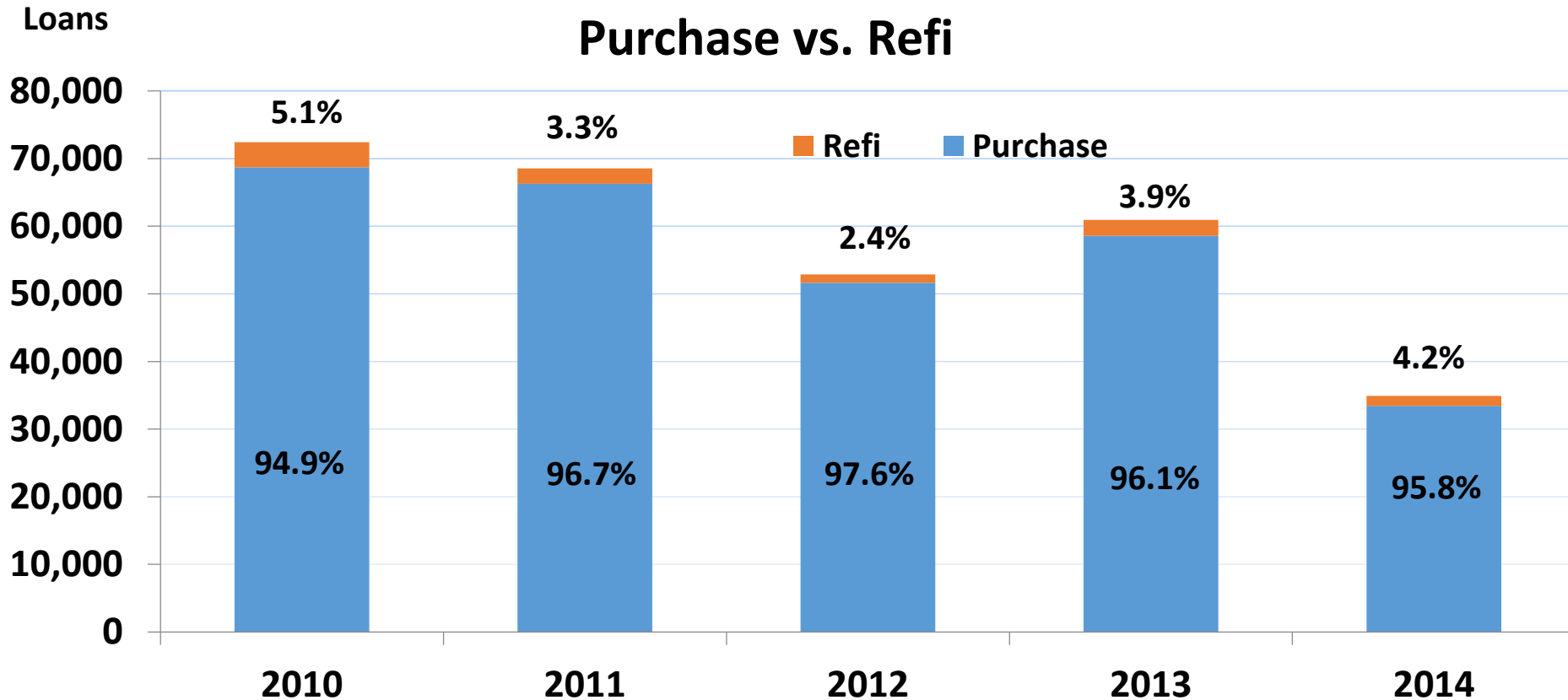
FHA Purchase Volume Share Up

FHA Volume Forward Loans Purchase vs. Refi



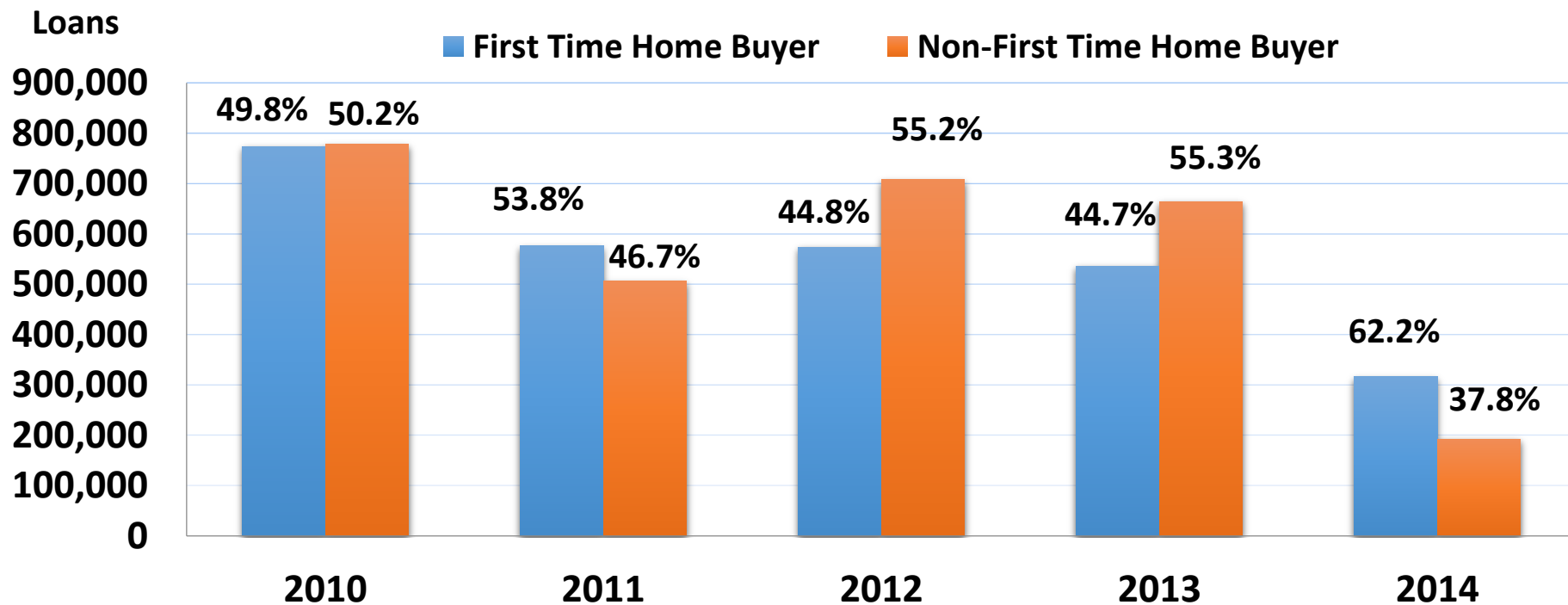
FHA HECMS Strong Purchase Market

FHA Reverse Loans (HECM) Purchase vs. Refi



Rise in Mix of First Time Home Buyers

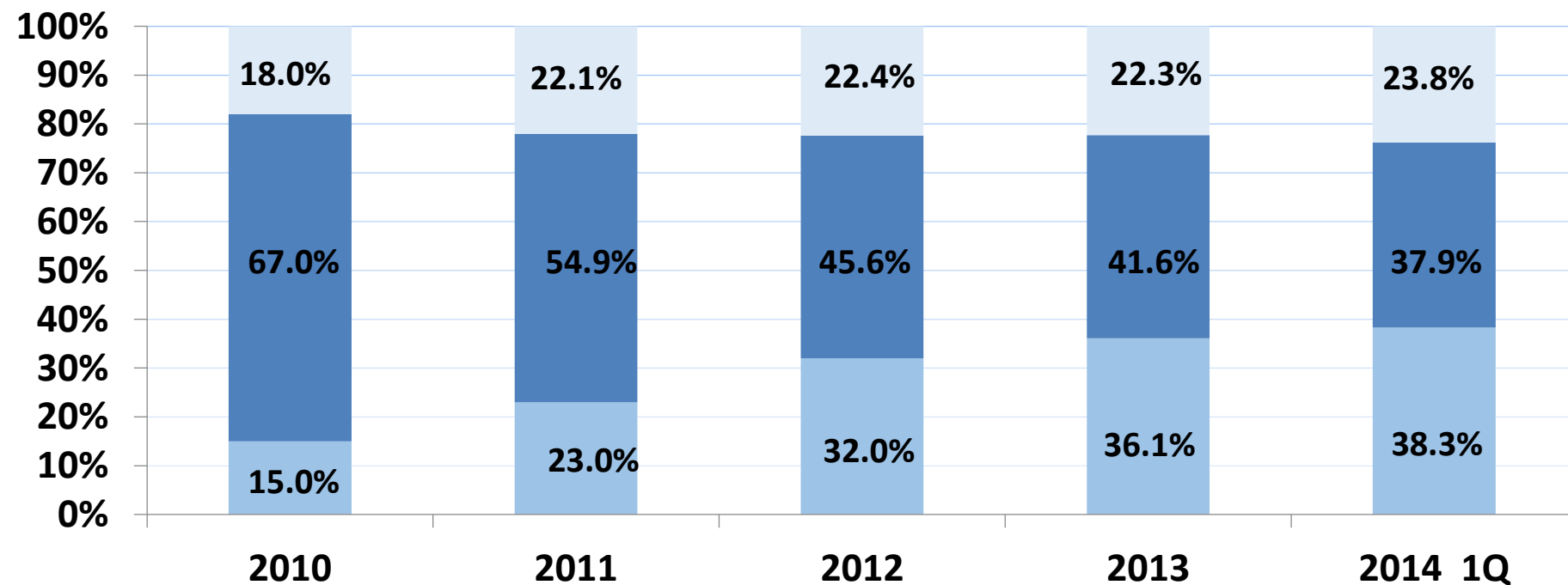
FHA portfolio Share of First Time Home Buyers



FHA Market Share

Mortgage Insurance Market Share

■ Total Private Primary MI ■ FHA ■ VA



Source: Urban Institute March, 2014

Thank You!

Questions?